

SEC



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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

SEC FILE NUMBER

8- 14530

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 10/01/2007 AND ENDING 09/30/2008

-MM/DD/YY-

-MM/DD/YY-

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Brittingham, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

5809 Kennett Pike

(No. and Street)

Wilmington

Delaware

19807

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Stephen P. Sweeny

(302) 656-8173

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Wheeler, Wolfenden & Dwares

(Name - if individual, state last, first, middle name)

4550 New Linden Hill Road - Suite 201, Linden Park, Wilmington, Delaware 19808

(Address)

(City)

(State)

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

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THOMSON REUTERS

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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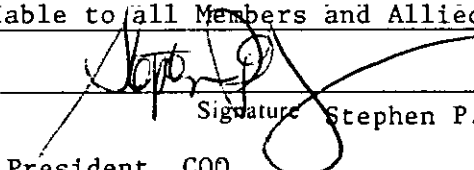
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## OATH OR AFFIRMATION

I, Stephen P. Sweeny, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Brittingham, Inc., as of September 30, 2008, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

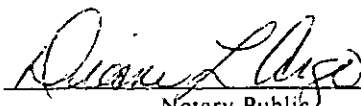
NONE

The accompanying report will be made available to all Members and Allied Members.

  
Signature Stephen P. Sweeny

President, COO

Title

  
Notary Public

This report \*\* contains (check all applicable boxes):

- ☐ (a) Facing Page.
- ☐ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☐ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

BRITTINGHAM, INC.

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

September 30, 2008

**WHEELER • WOLFENDEN • DWARES**  
Certified Public Accountants

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WHEELER • WOLFENDEN • DWARES

Certified Public Accountants

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Brittingham, Inc.  
Wilmington, Delaware

We have audited the accompanying statement of financial condition of Brittingham, Inc. (an S Corporation) as of September 30, 2008, and the related statements of operations, changes in stockholder's equity, and cash flows for the year then ended that are to be filed pursuant to Rule 17a-5 under the *Securities Exchange Act of 1934*. All information included in these financial statements is the representation of the management of Brittingham, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial condition of Brittingham, Inc. as of September 30, 2008, and the results of its operations, changes in stockholder's equity and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements but is supplementary information required by Rule 17a-5 under the *Securities Exchange Act of 1934*. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Wheeler, Wolfenden & Dwares, P.A.

November 25, 2008  
Wilmington, Delaware

BRITTINGHAM, INC.

STATEMENT OF FINANCIAL CONDITION

September 30, 2008

ASSETS

ASSETS

Cash and cash equivalents	\$	191,227
Securities available for sale		1,106,169
Prepaid assets		4,587
Other assets		<u>24,449</u>

TOTAL ASSETS	\$	<u><u>1,326,432</u></u>
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LIABILITIES AND STOCKHOLDER'S EQUITY

LIABILITIES

Accounts payable and accrued expenses	\$	29,219
Deferred income tax		<u>94,633</u>

Total liabilities		123,852
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STOCKHOLDER'S EQUITY

Common stock – \$1 par value, authorized 1,500 shares, issued 556 shares		556
Additional paid-in capital		382,509
Retained earnings		(106,821)
Accumulated other comprehensive income		<u>926,336</u>

Total stockholder's equity		<u>1,202,580</u>
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TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$	<u><u>1,326,432</u></u>
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The accompanying notes are an integral part of these financial statements.

BRITTINGHAM, INC.

STATEMENT OF OPERATIONS

For the Year Ended September 30, 2008

INCOME

Security commissions	\$ 235,993
Interest and dividends	37,767
Realized gains on sale of securities available for sale	2,424,087
Other income	<u>136</u>

Total income 2,697,983

EXPENSES

Employee compensation and benefits	153,117
Communication costs	38,365
Occupancy and other equipment costs	48,444
Other expenses	<u>44,933</u>

Total expenses 284,859

Income before income tax expense 2,413,124

Income tax expense -

NET INCOME \$ 2,413,124

The accompanying notes are an integral part of these financial statements.

Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholder's Equity
\$ 2,055,373	\$ (62,035)	\$ 2,456,149
-	-	2,413,124
-	-	-
(1,129,037)	-	(1,129,037)
-	-	-
-	62,035	-
-	-	(2,537,656)
\$ <u>926,336</u>	\$ <u>-</u>	\$ <u>1,202,580</u>



BRITTINGHAM, INC.

STATEMENT OF CASH FLOWS

For the Year Ended September 30, 2008

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 2,413,124
Adjustments to reconcile net income to net cash utilized by operating activities	
Net realized gains from sale of securities available for sale	(2,424,087)
Decrease in prepaid assets	541
Decrease in other assets	24,022
Decrease in accounts payable and accrued expenses	(46,138)
Decrease in deferred income taxes	<u>(94,528)</u>
Net cash utilized by operating activities	(127,066)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of securities available for sale	<u>2,603,922</u>
Net cash provided by investing activities	2,603,922

CASH FLOWS FROM FINANCING ACTIVITIES

Dividends paid	<u>(2,537,656)</u>
Net cash utilized by financing activities	<u>(2,537,656)</u>

Net decrease in cash and cash equivalents	(60,800)
Cash and cash equivalents – beginning of year	<u>252,027</u>
Cash and cash equivalents – end of year	<u><u>\$ 191,227</u></u>

SUPPLEMENTARY INFORMATION

Cash paid during the year for income tax	<u><u>\$ 115,691</u></u>
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NON-CASH TRANSACTIONS

Decrease in deferred income tax	\$ -
Unrealized loss on securities held for sale	<u>(1,129,037)</u>
Other comprehensive loss	<u><u>\$ (1,129,037)</u></u>

The accompanying notes are an integral part of these financial statements.

BRITTINGHAM, INC.

NOTES TO FINANCIAL STATEMENTS

September 30, 2008

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Activities

Brittingham, Inc. (the Company) is a broker of securities and a member of the New York Stock Exchange. Rule 17a-5, under the *Securities and Exchange Act of 1934*, requires broker-dealers to file a complete set of financial statements with the Securities and Exchange Commission (the Commission). The statements are required to cover the period since the immediately preceding filing with the Commission, and, accordingly, these financial statements are for the year ended September 30, 2008.

Transactions in securities, including the related security commissions, are recorded on a trade-date basis.

Marketable securities traded on a national exchange are valued at the last reported sale price on the last business day of the year; marketable securities traded on the over-the-counter market are valued at the mean between the last reported bid and asked price.

For the purposes of the statement of cash flows, the Company considers all highly liquid investment instruments with original maturities of three months or less to be cash equivalents. In the accompanying statement of cash flows, all short-term investments are considered cash equivalents.

2. Income Taxes

Effective January 1, 2005, the Company and its stockholder elected to be treated as an S corporation under subchapter S of the *Internal Revenue Code*. As such, the Company's taxable income is included in the individual tax returns of its stockholder for federal and all state income tax purposes starting on January 1, 2005.

Income taxes are calculated in accordance with Statement of Financial Accounting Standard No.109, *Accounting for Income Taxes*. Under the liability method, deferred tax assets and liabilities are provided for temporary differences between the financial reporting basis and tax reporting basis of the Company's assets and liabilities. A valuation allowance is established, when necessary, to reduce deferred tax assets to the amount expected to be realized.

NOTE A – NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

4. Investment Securities

The Company accounts for securities under Statement of Financial Accounting Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*, which requires, among other things, that securities are classified into two categories and accounted for as follows:

- Securities held to maturity: Securities the Company has the positive intent and ability to hold until maturity are reported at cost and adjusted for amortization of premiums and accretion of discounts.
- Securities available for sale: Securities available for sale are reported at fair market value. Unrealized holding gains and losses are reported, net of taxes, in accumulated other comprehensive income until realized.

Realized gains and losses from the sale of securities are determined using the specific identification method.

5. Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on securities available for sale, are reported as a separate component of the equity section of the balance sheet. Such items, along with net income, are the components of comprehensive income. The only components of other comprehensive income for the year ended September 30, 2008 were unrealized gains on securities available for sale.

The components of other comprehensive income are as follows:

Unrealized gains on securities available for sale	\$ <u>1,129,037</u>
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## NOTE B – CUSTOMERS' ACCOUNTS

All customers' accounts are carried by a correspondent broker on a fully disclosed basis, and, accordingly, the Company is not required to maintain or compute a reserve pursuant to Rule 15c3-3 of the *Securities Exchange Act of 1934*.

## NOTE C – NET CAPITAL

The Company, as a registered broker and dealer in securities, is subject to the Commission's Uniform Net Capital Rule 15c3-1.

Under the computation provided by Rule 15c3-1, the Company is required to maintain "net capital" equal to the greater of \$5,000 or 6-2/3% of "aggregate indebtedness". Rule 15c3-1 also requires that the ratio of aggregate indebtedness to net capital, as those terms are defined in the Rule, shall not exceed 15 to 1. At September 30, 2008, the Company had a ratio of aggregate indebtedness to net capital of approximately 0.17 to 1 and a net capital requirement of \$5,000. Aggregate indebtedness and net capital, as defined, were \$29,219 and \$173,419, respectively, at September 30, 2008. The Company's current clearing agreement with National Financial Services (NFS) requires it to maintain minimum net capital of \$100,000. As of September 30, 2008, the Company's net capital amount totaled \$173,419.

## NOTE D – INVESTMENTS

Securities available for sale consisted of the following at September 30, 2008:

	<u>Cost</u>	<u>Gross Unrealized Gain</u>	<u>Carrying Fair Value</u>
Common stock	\$ <u>179,833</u>	\$ <u>926,336</u>	\$ <u>1,106,169</u>

Securities available for sale that were in an unrealized position at September 30, 2008:

	<u>Less than 12 months</u>		<u>12 months or longer</u>		<u>Total</u>	
	<u>Fair Value</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>	<u>Fair Value</u>	<u>Unrealized Gains</u>
Common stock	\$ <u>1,106,169</u>	\$ <u>926,336</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,106,169</u>	\$ <u>926,336</u>

#### NOTE D – INVESTMENTS (CONTINUED)

The Company's investment in the common stock of NYSE Euronext (formerly named NYSE Group, Inc.) was acquired March 8, 2006 under terms of a merger agreement between New York Stock Exchange, Inc. and Archipelago Holdings, Inc., under which the Company agreed to exchange its New York Stock Exchange membership for 84,699 shares in NYSE Group, Inc. common stock. The Company's stockholdings in NYSE Group, Inc. are subject to certain restrictions as to transferability, which expire with respect to one-third of such shares received on the first, second and third anniversaries of the merger date.

Resulting from the initial public offering in May 2006, the Company was permitted early release with respect to 15,988 shares which were then sold, meaning that only the remaining 12,245 shares of the first one-third layer had their restrictions removed March 8, 2007. The 12,245 shares were released as scheduled and then sold. In June 2007, the Company was again permitted early release with respect to 28,233 shares which were subsequently transferred to the NFS account and sold. As of September 30, 2008, the Company held 28,233 shares of NYSE Euronext common stock. These shares became unrestricted and available for sale as of September 30, 2008.

#### NOTE E – COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of its business activities, the Company is subject to the rules and regulations of the New York Stock Exchange (NYSE) and the Commission. During fiscal 1998, Company management was informed that the Commission began an investigation of the activities of certain NYSE floor brokers, including the floor broker who formerly leased the Company's exchange seat. During fiscal 1999, the Commission subpoenaed certain documents from the Company.

The Company believes it has provided the Commission all documents responsive to the subpoena that were in the possession, custody or control of the Company. The Company believes that the records given to the Commission were destroyed on September 11, 2001. The Commission has not informed the Company that it is a target of the investigation. Accordingly, the Company has no reason to believe any action will be taken against it or its floor broker; however, it is possible that should such actions, if any, prove to be successful, the cost to the Company could be material.

The Company's operations are conducted in premises that are rented under a lease agreement with L. I. Holdings, Inc. (a related party). The agreement has been renewed each year since 1991 at the current prevailing market rate. Total rental payment made to L. I. Holdings, Inc. during 2008 was \$38,725.

#### NOTE F – RELATED PARTIES

The Company receives a substantial portion of its security commissions from related parties, primarily Lumber Industries, Inc. and related affiliates, whose executive officers are also executive officers of the Company. Total commission earned from related parties for the fiscal year ended September 30, 2008 was \$235,993.

## NOTE G – INCOME TAXES

Components of income tax expense were as follows for the year ended September 30, 2008:

Federal	
Current – federal	\$ 115,691
Deferred – “built-in gains” tax	(115,691)
State and local taxes	<u>-</u>
Total income tax expense	<u>\$ -</u>

The effective income tax rate for the year ended September 30, 2008 differs from the statutory income tax rate primarily due to state income tax expense.

For the fiscal year ended September 30, 2008, there was no additional tax expense resulting from the elimination of deferred taxes with the subchapter S election. Under SFAS No. 109, any assets that are disposed of during a ten year period subsequent to the subchapter S election are subject to built-in gains tax. The Company has evaluated assets subject to built-in gains tax and determined that, in the event that such assets are sold within such ten year period, such tax would be imposed on the Company, at a rate of 35% under current tax law, on total sales proceeds exceeding \$182,851 and less than \$993,988.

Significant deferred tax liabilities of the Company are as follows as of September 30, 2008:

Unrealized gain on restricted marketable securities	
Tax effect on securities available for sale	\$ 94,633
Tax effect on securities held to maturity	<u>-</u>
Deferred income tax	<u>\$ 94,633</u>

## NOTE H – PROFIT-SHARING PLAN

The Company has a profit-sharing plan for all eligible employees that provides for Company contributions at its discretion. However, contributions are limited to the amount allowable as a deduction for federal income tax purposes. A Company contribution of \$3,450 was expensed in 2008.

## NOTE I – CAPITAL STOCK

The Company has the right to purchase outstanding capital stock from the stockholder under certain conditions at an amount set forth in the Company's *Articles of Incorporation*. In addition, the stockholder is required to first offer the Company the option to purchase shares of capital stock before entering into an agreement to sell such shares.

#### NOTE J – FOCUS REPORT – FLOOR BROKERAGE

Beginning with the FOCUS Report prepared by the Company for the quarter ended September 30, 1999, the Company has reported the gross commissions, generated by the individual who operates its NYSE seat, as income and the related amount of expenses paid to the individual as expense. This reporting differs from the presentation of such items in the accompanying financial statements, which presents such items on a net basis.

#### NOTE K – CONCENTRATIONS OF CREDIT RISK

The Company maintains cash and investment balances at a several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) or Securities Investor Protection Corporation (SIPC) up to \$100,000. From time-to-time throughout the year, these accounts may exceed insurance limits. Uninsured balances in excess of FDIC and SIPC limits totaled \$47,495 as of June 30, 2008 and \$69,314 as of June 30, 2007.

#### NOTE L – RETIREMENT OF TREASURY STOCK

During 2008, the Treasury stock was formally retired by the Company.

## SUPPLEMENTARY INFORMATION



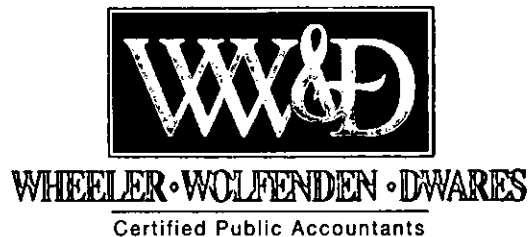
BRITTINGHAM, INC.

COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1

September 30, 2008  
(See Independent Auditors' Report)

Aggregate indebtedness	
Accounts payable and accrued expenses	\$ 29,219
Total aggregate indebtedness	<u>\$ 29,219</u>
Net capital	
Net worth	
Common stock	\$ 556
Paid-in capital	382,509
Retained earnings	(106,821)
Other comprehensive income	926,336
Less: treasury stock	-
Deferred income tax	94,633
Other liabilities	-
Total net worth and allowable liabilities	<u>1,297,213</u>
Deduct	
Nonallowable assets	
Prepaid assets	4,587
Restricted securities (NYSE Group, Inc.)	1,106,169
Other assets	2,714
Total deductions	<u>1,113,470</u>
Net capital before haircuts on securities positions	183,743
Haircuts and undue concentration on securities computed pursuant to Rule 15c3-1	
Trading and investment securities	<u>10,324</u>
Net capital	173,419
Minimum capital required to be maintained (\$5,000 or 6-2/3% of aggregate indebtedness of \$29,219)	<u>5,000</u>
Net capital in excess of requirements	<u>\$ 168,419</u>
Ratio of aggregate indebtedness to net capital	<u>16.85%</u>

The above computation does not differ materially from the computation of Net Capital under Rule 15c3-1 as of September 30, 2008, as filed by Brittingham, Inc. with the New York Stock Exchange on October 21, 2008.



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE  
REQUIRED BY SEC RULE 17a-5

The Board of Directors  
Brittingham, Inc.  
Wilmington, Delaware

In planning and performing our audit of the financial statements of Brittingham, Inc. (the Company) for the year ended September 30, 2008, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including tests of such practices and procedures that we considered relevant to the object stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons.
2. Recordation of differences required by Rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve Systems.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related cost of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in conformity with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

The Board of Directors  
Brittingham, Inc.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of internal control would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the *Securities Exchange Act of 1934* and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at September 30, 2008 to meet the SEC's objectives.

This report is intended solely for the use of management, the Securities and Exchange Commission, the New York Stock Exchange, and other regulatory agencies that rely on Rule 17a-5(g) under the *Securities Exchange Act of 1934* in their regulation of registered brokers and dealers and is not intended to be, and should not be, used by anyone other than these specified parties.

Wheeler Wolfenden & Dwares, PA

November 25, 2008  
Wilmington, Delaware